

Return to

Herbert Levy
209 So. LaSalle St.
Chicago, Ill.

THE CHICAGO
STOCK EXCHANGE

THE CHICAGO STOCK EXCHANGE

A HISTORY

BY WALLACE RICE



PUBLISHED BY
THE COMMITTEE ON LIBRARY
OF THE CHICAGO STOCK EXCHANGE

1923

COPYRIGHT, 1923, BY
THE CHICAGO STOCK EXCHANGE

The Lakeside Press
R. R. DONNELLEY & SONS COMPANY
CHICAGO

INTRODUCTION

WITHIN the last few years, the Chicago Stock Exchange has received many requests from its members and from outside sources for a History of the Exchange. In the preparation of this modest work, it has been the purpose to give briefly the history of the Chicago Stock Exchange from the birth of the idea in this community to the present day. The historical narrative has been carefully compiled and written after research through the archives of the Exchange, the records and files of the Chicago Historical Society and the Chicago Public Library; and the newspaper files of the earlier period have been searched for matter that related to or had an influence upon the development of the Exchange in Chicago.

The Exchange is receiving a constantly increasing number of inquiries from Universities, Schools, and Libraries, and from students of economics elsewhere, for information on the functions and uses of the Stock Exchange, its form of organization, its rules and practices, and the field it occupies in the economic life of the community, state, and nation.

In order to answer all such queries, the History of the Exchange has been supplemented with additional chapters, giving in brief space and in elementary form a description of the organization and operation of the Exchange and the conduct of its business.

Works admirable and voluminous have been published on the New York Stock Exchange, which can well be used as text books on the general subject of Stock Exchanges. It has not been the intention in this work to prepare such a volume, but rather to give a narrative of the development of a well founded and useful institution and to supply to an increasingly interested public the answer to the inquiries stirring in many minds as to the purposes and uses of the Stock Exchange.

WALTER S. BREWSTER,
President.

JANUARY 1, 1923

THE CHICAGO STOCK EXCHANGE

CHAPTER I

EARLIER CHICAGO STOCK EXCHANGES

Earlier Chicago stock exchanges.—The Chicago Stock Exchange as a market.—As a market for securities.—A prime factor in modern civilization.—Of benefit to every class.—Stock exchanges in London and New York.—First stock exchange in Chicago, 1865.—Gold and early speculative securities.—Beneficent effect of market on Civil War.—Special charters.—Second Chicago stock exchange, 1869.—The Chicago Mining Board, 1879.—Mining stocks, government, county, and city bonds.—Becomes the Chicago Stock Board, 1881.—The present Stock Exchange, 1882.—Its amazing initial success.

THE Chicago Stock Exchange, like its numerous fellows in the money centers of civilization, is the organized development of a slow and natural response to both a general and a specific demand. As a market for the exchange of stocks and bonds for cash, it stands for the primitive needs such as led the arrow-maker of savage days to barter his worked flints for food in the hands of the hunter; it is a market in the true and immemorially ancient sense. Stocks and bonds being the financial bases of modern industrialism, as a market for these alone it plays the first and most important part by giving them steady and permanent values, only possible when they can be im-

mediately and continuously exchanged for cash. It is, then, a prime factor in the progress and expansion of civilization.

As industry, transportation, banking, and to an increasing extent trade, when fully organized, largely hang today upon the financial power represented by stocks and bonds, the Stock Exchange is, immediately and continuously again, an essential factor, not only in providing carefully scrutinized and sound investments for those with capital, but also in affording a market to all who have either raw materials or the labor of their hands or brains to sell. The effect of the Exchange therefore is one of benefit to every person in every community as a permanently stabilizing influence upon the international life of which it is the inevitable outcome, and is not the least of the motive forces in its evolution toward better living conditions.

The London Stock Exchange, eldest brother of the international fellowship, was established in 1773; the New York Stock Exchange, first in the New World, in 1817, with an informal organization going back to 1792; and the first effort in Chicago begins with an evening meeting of brokers in grain, gold, stocks, and bonds on Thursday January 5 1865, and the opening of rooms for business in H. H. Honore's marble building at 53 Dearborn Street two weeks later, on January 19. Chicago at that time was a city not yet 28 years old but with a population of about 150,000 souls—it claimed more—and already the great grain market of the West if not of the World; its daily papers had for years been publishing the quotations of the New York

Stock Exchange, both by telegraph and on information had from local brokers.

An important speculative commodity at that time was gold, which had been quoted at a varying premium on the national currency (greenbacks) since near the opening of the Civil War, its price fluctuating widely with the fortunes of the Federal Government throughout the struggle. As the price of all commodities dealt with on the Board of Trade varied with the quotations of gold, it was essential for the successful conduct of its business that its operators should also deal in gold as the one international standard of value, and the moving spirits in the new Exchange were accordingly men with a Board of Trade connection. Its first president was John C. Hilton, an incorporator of the Chicago Chamber of Commerce, its first vice-president Calvin T. Wheeler, president of the Board of Trade in 1862-3, its secretary Solon McElroy and its treasurer William H. Goodnow, both members of the Board.

In addition to gold, of which \$9000 worth, at a price of 207, changed hands at its first session, held in the evening, this opening call showed quotations on government bonds and one-year interest notes, on Cook County Scrip, Chicago City Bonds, and on other local securities, including those of the First National Bank and the Merchants Loan and Trust Company, the Peoples Gas Light and Coke Company, and the Chamber of Commerce. In connection with the Cook County Scrip, several million dollars of which was authorized by the Board of Supervisors early in 1865 to raise money for sending equipped soldiers to the front, the

following comment from the Chicago Tribune's Annual Review is pertinent:

"We have not the least doubt but that for the Stock Exchange Cook County Scrip and Bonds would have ruled for months at such prices as to have made a difference of hundreds of thousands of dollars to the County Treasurer and the people. When large amounts of the Scrip were thrown upon the market early in February, it could not be sold on the street for 70 cents on the dollar. On the 9th of February a lot of \$15,000 was offered on the Exchange for 73 cents; it was immediately taken, and the next day it rose to 78 @ 80 cents. It continued to advance slowly, and in less than ten days, though the County was issuing hundreds of thousands daily, large amounts changed hands at the Exchange at 85 cents. The brokers bought small amounts from soldiers who had received it for bounties at very close figures, because they knew they could dispose of it at the next session of the Stock Exchange. The market which was thus made has kept the price of scrip up and gradually advancing till the present time (January 1 1866), when it rules firm at 97½ @ 99."

In its brief existence this first Chicago Stock Exchange, by enabling the authorities to do their share toward ending the war of disunion with a minimum of public dissatisfaction, may be said to have justified itself. In the April following, the collapse of the Southern Confederacy enabled the Federal Government to begin the slow work of restoring credit. The gold market ceased the violent fluctuations due to Union

victories or defeats, and with these the need of Board of Trade members for dealing in gold also came to an end. The work of Chicago's first Stock Exchange was done, and its members busied themselves elsewhere in the busy city, one by one allowing their memberships, for which they had paid \$100 with \$30 additional for a chair, to lapse under the regulations, until the president, John C. Hilton, was left as sole survivor in lawful possession of the furniture and fixtures, with the \$10,000 remaining in the treasury.

In 1869, the State of Illinois stopped the granting of special charters to corporations, and before the law went into effect a demand arose for these, largely speculative. A number of brokers obtained one for a second Chicago Stock Exchange, partly because there appeared to be a chance to get business, partly to have something valuable to sell in case this chance failed. Under this charter a room was opened in Clark Street between Washington and Madison, but only for a few months. As the older institution had found the stock and bond business so centered in New York and the East that it would not bear transplantation, so did the new venture; its life was feeble at best until the Great Fire of October 1871 gave it silent cremation. Later, in 1886, the charter was brought to the attention of the present Exchange, its owner even venturing upon a suit at law. In 1890, without obtaining a settlement, the trouble from this source ended; under its rules and regulations there is nothing the Chicago Stock Exchange desires less than a state charter.

Ten years later, in 1879, the West was coming into

its own. Enormous immigration and vast railway projects had spread and doubled the population. Thousands took advantage of the approaching repeal of the Bankruptcy Act to clear away debts remaining from hard times in order to begin business afresh. Specie payments had been successfully established on January 1, under the Act of 1875, whereby public confidence was restored, to leave the effects of the panic of 1873 fairly outgrown. Discoveries of great silver deposits in Colorado added to the accumulating boom, with prices soaring everywhere, notably of stocks and bonds in New York and grain and provisions in Chicago. A great speculative era followed.

To meet it, more particularly to meet its mineral aspects, the Chicago Mining Board opened its rooms on the ground floor of the Brevoort House, in Madison Street between Clark and La Salle, on Monday December 16 1879. It was a corporation under the laws of Illinois, and a close one. Its sixteen directors were the only stockholders, and these were not in all cases primarily interested in stocks and bonds. Among them were D. A. Kohn, Samuel N. McCrea, Albert A. Munger, Josiah W. Preston, Jacob Rosenberg, Harmon Spruance, Israel N. Stiles, and Baron E. von Joinsen, this last a mining expert from San Francisco. The chairman was Charles Stiles and the secretary George E. Wright. Of it the Chicago Tribune said the following day:

"The Board opens under quite favorable auspices. The Directors are gentlemen of high financial standing and the brokers include all the leading firms on La

Salle and Washington Streets. A pressure has been brought to bear on the Directors to increase the membership, and it is probable that the additional brokers will be admitted at \$200 each, an increase of \$50 over the rate charged the first twenty-four." There were then forty applicants for the new seats, including brokers from New York, Boston, Philadelphia, and St. Louis. The dues were fixed at \$50 a year. In brief, the directors merely provided an exchange room for the brokers, the expenses of which they paid, and thereupon voted to themselves as stockholders the profits ensuing after providing a margin of safety in the treasury. It was profitable, to them, while it lasted; but it was soon evident that, debarred as they were from self-government, the brokers must demand something more substantial than the opportunity to pay profits into the pockets of others.

At the outset a considerable business was done in mining stocks, the speculative center in them remaining, as a matter of course, in San Francisco. A charge of \$500 was made for listing stocks, which excluded the comparatively few and relatively unimportant local concerns. Government, county, and city bonds were dealt in. Increasingly the New York boom in railway shares commanded attention, with the usual difficulties attendant upon deliveries of actual securities so far from the eastern markets. This the railways went far to meet by issuing stock certificates in denominations as low as \$50, and the emphasis from mining to railway stocks shifted so rapidly that in less than two years the name was changed to the Chicago

Stock Board and the rooms moved to the Call Board in Calhoun Place at the rear of the Board of Trade, many of whose members also traded in stocks upon occasion.

Dissatisfaction with the management steadily increasing among the sixty brokers who were doing the work and furnishing the funds for the maintenance of the Board, the idea of the present Chicago Stock Exchange was born early in 1882 in something which on its face had revolutionary aspects. The Chicago Times notes in its issue of Sunday January 15 1882 the fact, thus:

“At the annual meeting of the Chicago Stock Board, held during the past week, a governing committee consisting of Edward L. Brewster, A. O. Slaughter, Charles Henrotin, Ira Holmes, and H. T. Foreman, was elected instead of the usual board of directors. The report of the Treasurer showed about \$1000 in the treasury of the corporation. It is stated that nearly all the stock is now held by one party.” Negotiations following the revolt enabled the brokers to clear away the incubus under which they had been laboring, and a busy period of promotion ensued. George E. Wright, secretary of the new body coming to birth, went about town obtaining signatures to the written statement agreed upon, reading as follows: “We, the undersigned, hereby agree to form a mutual association of brokers, to be known as The Chicago Stock Exchange, each member to have a voice in the management and an interest in the funds.” It further provided a payment of \$50 by those not already members of the old Board who joined under this arrangement.

Edward L. Brewster, himself a member of the New York Stock Exchange, went east and laid the project before the Governing Committee of that body with a success fairly astonishing. Never had the central market for stocks and bonds been so flourishing, and the prospect of a new western market was attractive. The Governing Committee amended its rules to permit members of the New York Exchange to join that coming into being in Chicago, and much publicity was given by the newspapers to this liberal change in policy. As the stock market in general boomed, so boomed the Chicago Stock Exchange idea, and the new organization found itself almost at the point of suffering from a plethora, more than 3000 applications for membership rushing in upon it. Under such auspicious circumstances was it born, and it has gone on from that point, steadily reflecting with prophetic accuracy the conditions of the business world in general, advancing with its advances, falling back with its reverses, but never to a point of danger or one below its previous taking-off point. Now, after forty years of fundamental usefulness to American and international finance, commerce, industry, and transportation, it can point with just pride to progress soundly based and success honorably achieved.

CHAPTER II

THE CHICAGO STOCK EXCHANGE

The Chicago Stock Exchange.—First meetings.—Membership demand.—Constitution and By-Laws adopted.—Chairman.—List of securities made.—Officers.—Fund in treasury.—Ebbing prosperity.—Buyers' and sellers' options.—Railway securities.—Registry offices ordered by State Legislature.—Steam railway stocks off the list, 1887.—Removals, eventually to the Board of Trade.—Petition for dissolution of the Exchange.—Removal to the Chamber of Commerce.—The Board of Trade Stock Exchange.—Reduction of memberships.

THE first formal meeting of the Chicago Stock Exchange was held at 4 o'clock Tuesday afternoon March 21 1882 in the Grain and Provision Call Board Room of the Chicago Board of Trade, at which Charles Henrotin was elected chairman and George E. Wright secretary, and a resolution passed instructing the Secretary to call a meeting of all the signers of the original agreement for Saturday afternoon March 25 at 3 o'clock, stating in such call that the meeting would be for the purpose of electing permanent officers. Accordingly, at that time, 131 members assembled and chose as President Charles Henrotin, as First and Second Vice-Presidents respectively Albert M. Day and Arthur O. Slaughter, as Treasurer William A. Hammond, and as Secretary George E. Wright, with an Executive Committee of Fifteen, to include the President and two Vice-Presidents and James B. Ball, George D. Boulton, Jacob B. Breese, Edward L.

Brewster, William O. Cole, R. W. Day, Albert Durham, Henry G. Foreman, Fred G. Frank, Edward S. Hunt, and William D. Kerfoot. The roster of names present reads like a contemporaneous list of the Solid Men of Chicago, and from that point on the proceedings as recorded in the minute book of the Exchange are profoundly interesting in their clock-work accuracy and command of business principles, the meetings rapidly succeeding one another to report progress and take the next step forward.

The first fifty-eight members were all members of the Chicago Stock Board to which they had paid initiation fee and annual dues; these were made members of the new body, therefore, at the nominal sum of \$1. The next meeting Tuesday March 28 reported the membership at 250, the others so taken in paying an initiation fee of \$50 as originally proposed. It was then voted to take in fifty more at that price, those admitted subsequently to pay \$100. Saturday April 1 a lease of the south room on the ground floor of the Grannis Building at 115 Dearborn Street was taken for two years at \$4000 a year, new members admitted up to 307, two hundred more authorized at \$100 and two hundred and fifty beyond that at \$250, the whole number limited to seven hundred and fifty, the transfer fee for memberships fixed at \$25, with \$40 yearly dues payable semi-annually. Monday April 3 members were taken in up to 382, and seven hundred more applicants reported. Wednesday April 5 the membership was increased to 655 and a rule adopted declaring no one eligible who belonged to any other

organization in Illinois dealing in stocks, bonds, and other securities. Friday April 7 membership was increased to 697 and John M. Rountree appointed attorney to the Exchange. Saturday April 15 one D. H. Denton arose from the vasty deeps to sell the charter of the ante-fire Stock Exchange, which by advice of Mr Rountree was ordered dropped at the meeting five days later, no satisfactory arrangement being possible.

Friday April 21 the Constitution and By-Laws were adopted. Fifteen days later the membership was reported at 749, which is its highwater mark. Wednesday May 10 Joseph R. Wilkins of Philadelphia was appointed Chairman for four months, a position he had filled for years on the Stock Exchange there, and for more than twenty-two years he was to discharge the duties of this important office, resigning in 1904. Edward S. Hunt was chosen as Vice-Chairman, and G. H. Broadhead of the New York Stock Exchange invited to assist the Chicago sister-body at the suggestion of one hundred and fifty eastern members of both Exchanges, a visit which marks the beginning of increasingly cordial relations between the twain.

Saturday May 13 a list of securities was adopted containing 134 items, 82 of bonds and 52 of stocks, to be compared with the list forty years later (1922) of 135 listed and 18 unlisted stocks, 75 listed and 22 unlisted bonds, a total of 250. Mining stocks were dropped. Monday May 15 the Exchange rooms were opened with a happy and wholly informal speech by President Henrotin, concluding aptly enough with an offer

to sell which was promptly taken by Edward L. Brewster. Meanwhile the Constitution and By-Laws had been revised, in part at Mr Broadhead's suggestion, and have remained substantially as they were ever since in respect to the powers, but not the numbers, of the governing body, which was first fixed at twenty-five, the President and twenty-four Governors, the first chosen annually, the others to serve one, two and three years in groups of eight until, after two years, all should be elected for three years. The Treasurer was also voted for annually by the whole Exchange, while the Vice-President, the Secretary, the Chairman, and the Vice-Chairman were selected by the Governing Committee, the first and last named from among its members. Election day is the first Monday in June, and on June 5 1882 the permanent organization was effected, with Mr Henrotin President, Albert M. Day Vice-President, William A. Hammond Treasurer, William C. Nichols Secretary, Joseph R. Wilkins Chairman, Edward S. Hunt Vice-Chairman, and the following Governors: for one year, William L. Brown, John A. Gwynne, William A. Hammond, Edward Koch, John J. Mitchell, George L. Otis, Charles L. Raymond, Orson Smith; for two years, Walter F. Cobb, William O. Cole, R. W. Day, Edward A. Driver, Albert Durham, John T. Lester, William B. Walker, Portus B. Weare; for three years, James M. Ball, George D. Boulton, Edward L. Brewster, Albert M. Day, Henry G. Foreman, Arthur O. Slaughter, Byron L. Smith, Franklin H. Watriss. The sale of seats had then brought the treasury \$92,808.

The new enterprise was now launched with flying colors, and this fund proved its sheet anchor. The chances for profit on a market still rising were so great that memberships in it were sold in the street at figures far beyond the initiation fees, even before the self-imposed limit of 750 members was reached. The reason for both limitations, in number and in cost, was the same: the well grounded fear that the outcome might not realize the expectations. After all, though Chicago's growing wealth and power of investment in good securities, including those of local origin, demanded a market where free exchange could fix a valid price for them, the habit of dealing in stocks and bonds, so to speak, had still to be carefully cultivated and expanded if it was to become general enough to warrant the continued and prosperous existence of the city's new Stock Exchange.

It is also to be remembered that the founding, however successful, was at the crest of a wave of prosperity which ebbed rapidly and soon. With 1882 itself came a general decrease of business, the year following saw growing distrust in affairs of commerce and finance, and in 1884 the failure in New York of Grant & Ward brought on an actual panic; bank clearings fell off 10 percent from the year before. In 1885 began a movement for labor organization on the basis of the, then, novel demand for an eight-hour day, with serious strikes everywhere and the profound local agitation culminating in the Haymarket Riot of May 4 1886. And it is to be kept in mind that the Stock Exchange is supersensitive to all such disturbances, an accurate

instrument of scientific precision for anticipating and recording prosperity or depression in the great world of affairs.

At the outset, the old difficulty of obtaining securities for actual sale and delivery, especially railway stocks and bonds, pressed hard upon the enterprise, New York holding its fully developed market as a matter of course. Buyers' and sellers' thirty-day options, after the manner of dealing in grain, were resorted to, whereby the buyer was at liberty to call for his stock at any time within the thirty days, leaving the seller dependent upon such action, or, if the case was reversed, leaving the buyer equally unable to close his deal during the life of the option. This practice was resorted to unavailingly, and more than once.

To meet the predicaments of one kind and another, on one hand the Governing Committee prevailed upon the railway companies to split their stock certificates into smaller units more convenient for trading, a practice begun several years before in eastern exchanges, and, on the other, set Mr Rountree to work obtaining from the Illinois legislature a law requiring all railway companies organized or doing business within the State to maintain within it a registry office, as in New York, whereby valid transfers could be expedited. In this he was presently successful, the statute being passed by the legislature on May 17 1883, and its application insisted upon in an opinion of the Attorney General of Illinois on October 1 following. Considerable opposition developed to the enforcement of the law, and its remedial effect was not marked.

The difficulties remained discouraging, and are in fact insurmountable, as is shown by the striking of all steam railway stocks and bonds from the list in August 1887, since which time none have been dealt with locally. At the time it drove away the business of many Board of Trade men who wished to trade, and the general effect was to limit the trading on the Exchange to bonds, though its more manifest purpose is attested by its very name. To the loss of Board of Trade custom the geographical distance further contributed. In the face of the fact that only 15,540 shares were dealt with in 1884 against 57,500 in 1883, and the certainty that New York was adding to its business with Chicago men, this latter objection could be met, and was.

On May 1 1883 the Exchange had been removed to 128 Washington Street, where it stayed two years, leasing the basement at 124 in the same street in May 1885, adjoining the Chamber of Commerce, largely in the interest of economy. But in October of this latter year it occupied the Call Board Room of the Board of Trade itself. Meanwhile memberships seriously declined in value and many were allowed to lapse for nonpayment of dues, though these were reduced from \$40 to \$25 in February 1885 and transfer fees from \$25 to \$15.

The Chairman, after going through the idle calling of the list of securities to a few devoted souls, gave it up entirely and no regular meetings were held in November and December 1884. In March 1885 139 of the New York members petitioned the Governing

Committee for a dissolution of the Exchange and a distribution of its assets, now amounting to nearly \$110,000 well invested in interest-bearing securities. The petition was laid on the table. It had been this very fund which had held the Exchange together up to this point.

Now that the Exchange was housed in the Board of Trade serious criticisms of any attempt to identify the two bodies arose, the two functioning in entirely different markets; and in January 1886 the Exchange moved again, this time to three rooms in the Chamber of Commerce, largely to be enabled to live its own life once more. Yet in March 1887 a proposal was made to merge the Stock Exchange with the Open Board of Trade, the growing fund furnishing a large part of the stimulus for the negotiations by the latter-named organization; while in the May after, the Exchange not only had to face the unexpected competition of a stock exchange organized by members of the regular Board of Trade but also felt impelled to modify its rules in order to permit its own members to join the seemingly vigorous new trading center, which, however, lost its interest to speculators within a few weeks. But times were far from good, as decreased rentals and salaries attested. Attempts to sell lapsed memberships at auction were unfruitful, and they were held at no more than \$25 or \$30 as late as 1886. In June 1884 there were \$11,795 outstanding in annual dues, against \$7375 in 1883 and \$460 in 1882. Without the substantial fund behind the Exchange its predicament might have been hopeless.

The fund was, indeed, to prove its salvation. In May 1886, the very month of the so called anarchistic uprisings in Chicago, the Governing Committee determined to use no small part of the assets under its control to reduce the number of outstanding memberships, and to that end bought in nineteen at \$65, a policy which silenced many objections to its continued existence. It was, moreover, a policy soundly based. If there were not enough business for a large membership, it might still suffice for a small one. The Constitution was amended accordingly in January 1887, and a committee to put the plan into full effect duly appointed. This committee was later reprimanded for lack of activity, which had its usual stimulating effect. In February, when the price of purchase for retirement was fixed at \$60, the purchases proceeded until in May it became needful to offer \$100, with the intention expressed to bring down the outstanding total to 500. In September, still working to the same end, it was voted that defaulted memberships should not be reissued. In April 1888 a further reduction to 450 was ordered, and in November to 425. Yet throughout this despondent story of decline the intrinsic value of a seat, based on the amount of the fund alone, was well above \$140, which increased with every membership cancelled. No better investment of the fund could be devised, as the future proved.

CHAPTER III

PANIC AND PROSPERITY

Low tide passed, 1887.—Growth of the United States.—Speculation in local securities.—Gas and street railway stocks and bonds.—Removal to Chicago Opera-House Block, 1886.—To Stock Exchange Building, 1890.—Increase in issues of local securities.—Breweries and trust consolidations.—Increase in annual dues.—Trading in the account authorized.—Clearing House established.—World's Fair, 1892-1893.—Local boom.—Tariff and Silver Purchase Acts.—Banking troubles abroad.—Panic of 1893.—Building Committee.—The new Stock Exchange Building.—Opening of the new rooms, 1894.

INTELLIGENT faith in the future is of the essence of successful speculation, as the buying in of memberships has demonstrated, and the buying and selling of stocks is a speculative business which brings wisdom. The year 1887 marks what is probably the lowest point in the history of the Chicago Stock Exchange; that passed, its future course was upward perforce. In April of that year the Western Union Telegraph Company served notice that it would withdraw its instruments from the floor of the Exchange, so little business was done by wire. In May the competition with the new stock exchange of the Board of Trade began, and annual dues were reduced to \$12. At the annual election in June only 25 votes were cast.

But the management remained in wise hands. The country at large was increasingly prosperous. Immi-

gration was enormous, almost doubling in 1880-1890 the record of the previous decade. Areas vast and new continued to be opened by railway extensions, increasing from a total in 1880 of 98,296 to 167,172 miles in 1890, of which 37,000 had been laid in the last five years. The \$300,000,000 business of the packing industries in 1880 was \$564,000,000 ten years later. In this period the output of American pig iron doubled, for the first time passing that of Great Britain, the opening of western mines playing an important part in this development. Commerce on the Great Lakes grew until the traffic through the Sault St. Marie was greater than that through the Suez Canal. A surplus in the National Treasury brought on the first billion-dollar Congress with its extravagant appropriations. In all this Chicago, as the metropolis of the West, had its full share; especially notable is the increase in the amount of grain inspected here, which rose from 139,000,000 bushels in 1880 to 204,000,000 in 1890, though the price of farm products was not keeping pace with the general prosperity. The population of the city increased from 491,516 to 1,208,669 during these ten years. Assuredly a period of speculation favorable to the Stock Exchange was at hand.

And it was speculation in newly issued local securities which provided the turning point, proving anew that no body like the Chicago Stock Exchange can flourish when dependent upon another elsewhere for its quotations. First the old Chicago Gas Light and Coke Company, whose stock had been quoted on the first exchange more than thirty years before, found it-

self impelled under competition to consolidate with its rivals, issuing \$25,000,000 worth of stock with bonds to correspond, in which daily trading here soon rose to more than \$100,000. Though engineered largely by eastern capital and quoted also on the New York Stock Exchange, Chicago remained the center of interest, and orders from the Atlantic Coast poured in upon local brokers. Methods of high finance, more familiar theretofore in the East, were soon applied here; during 1886 to the North Chicago Street Railway, and in 1889 to the West Side system. Charles T. Yerkes, a member of the Chicago Stock Exchange, was the prime mover in these, increasing the capital of the first from \$500,000 to \$5,000,000, and of the last from \$1,250,000 to \$10,000,000 with proportionate bond issues, and making a fortune in the process.

Distrust of the new methods took the customary form of prophecies of disaster, thus providing the opposing elements needed for an active market, and larger quarters became necessary. After having moved in the interests of cheaper rent into two rooms in the old Chicago Opera-House Block at Clark and Washington Streets in May 1888, where a single and largely perfunctory call had been held, the rehabilitated Exchange, now finding two daily sessions requisite for transacting its business, moved to the building named for it at Dearborn and Monroe Streets, where a commodious hall forty by sixty feet had been provided. This was opened in May 1890, Charles Henrotin being again President, to be succeeded in 1891 by Edward L. Brewster; appropriately enough, these men's faith

and persistency went far to secure to the Stock Exchange its present continuity of history.

Local securities continued to increase in number and consequence. That breweries in England were profitable induced investment of large sums of British money in such enterprises as the Chicago Brewing and Malting Company, the Milwaukee and Chicago Brewing and Malting Company, the P. Schoenhofen Brewing Company, and several more, beginning in 1890. Others followed with American capital, and trust consolidations such as the Chicago Packing and Provision Company, the Diamond Match Company, the Western Stone Company, and the American Straw Board Company were among them. The local field for investment and speculation broadened and deepened, affording a substantial foundation for the business of the brokers who clustered around the new Exchange building. Significantly, the Western Union Telegraph Company restored its instruments in May 1890, and in February 1891 installed a ticker service in proof of the general interest taken in local stock transactions. Annual dues rose to \$15 in 1898, to \$30 in 1890, and to \$40 in 1891, back, as the conveyancers say, to the place of beginning.

It was a growing market, and soon active almost to the point of explosiveness. Differences of opinion, bull optimism and bear pessimism, with more than forty brokers in daily attendance, assumed wider divergences with the increase of business. West Chicago Street Railway stock, at 90 in 1889, crawled up to 132, went down within a few days to 99, recovered and

went sailing up to 150, lost its breeze and fell back to 110. The persisting practice of buyers' and sellers' thirty-day options failed under the unusual strains thus put upon it, which had led to needless difficulties for brokers, their customers, and the banks. June 15 1890 the Governing Committee authorized "instant delivery" of securities. October 23 1891 trading in the account, which enables all brokers to effect settlements in full at the close of each calendar month, was made effective by amendments of the Constitution and By-Laws. Two days previously the clearing-house system had been installed, the Secretary of the Exchange acting as manager. The Stock Exchange rooms themselves now became the authorized spot for clearing the business of each day, obviating much running around from office to office of messengers with valuable securities, and doing away with much book-keeping theretofore necessary. The Committee in charge was also required to fix margins, and to have the amounts thus required deposited in the Clearing House. The results were all that were hoped for. Memberships which had risen before the excitement to \$1100 and had fallen in consequence of its ill effects to \$700, now went back to \$1000, and were destined to further, and upon the whole to steady, increases with the years.

To add to the interest in the local situation the act of Congress approving the World's Columbian Exposition to be held in Chicago in 1892-1893 was approved on April 25 1890, and the city was undergoing all the immediate benefits of a boom, with real estate

speculation, huge building projects, and all manner of schemes adding themselves to the large expenditures on the buildings and grounds of the Fair itself. But the country at large was trembling on the edge of hard times, due to over-speculation in many fields and more particularly to the failure of the vast agricultural interests of the country to realize the high prices and rising markets in industry, finance, and commerce in other commodities.

Political agitation followed and became persistent, with its usual unfavorable reactions upon business confidence and credit. Increases in the tariff led to the overwhelming defeat of the political party responsible for the resulting increase in living expenses in the congressional elections of 1890. The unlimited coinage of silver became a panacea in the minds of altogether too many for all the threatening ills of the body politic, and the two older parties, with the inexperienced assistance of several minor ones, went on to the passing of the Silver Purchase Act, a compromise measure which satisfied nobody and led to apprehensions which increased when it went unrepealed, which were augmented by banking troubles in the Argentine and in Europe. Cleveland was elected to his second term in 1892 in response to the demand for changes in the national policy and for the first time since the War between the States the Democrats had full responsibility for the affairs of the nation, a fact which when accomplished appeared to be unsatisfactory.

In the spring of 1893 panic prevailed, beginning with the failure of the overspread Reading Railway

Company and the collapse of the National Cordage Company, until in June the New York banks were forced into using clearing-house certificates and two months later into a partial suspension of specie payments. In Chicago the Chemical National Bank closed its doors on May 8, the Columbia National Bank followed on May 10, and a rush to realize on stocks set in. Bank loans and deposits shrank 15 percent and 22,000 miles of railway went into the hands of receivers. Securities at home and from abroad, including millions held as collateral, came upon the market at any price obtainable. An extra session of Congress hastily repealed the Silver Purchase Act, and \$50,000,000 in bonds were issued, foreign demands having depleted the gold reserve in Washington for the first time.

But the Chicago Stock Exchange bore up admirably under the strain put upon it, and this was due in no small part to the World's Fair boom. Thousands of visitors with millions of money flocked to see the ineffably beautiful spectacle. Everybody profited, the local transportation companies in particular, issuing more stocks and bonds to be actively traded in. This continuing prosperity showed itself in the need for larger quarters, which were noted as too small at the beginning of 1891, when a Building Committee was appointed to effect a reasonably permanent solution of the problem. It consisted of George E. Wright, who had been the first Secretary of the Exchange, as chairman, with Jacob B. Breese, for five years a Governor, and Malcolm M. Jamieson, Edward Koch, Charles

Henrotin, and Arthur O. Slaughter, all of whom had been or were to become Presidents.

Many plans came into consideration only to be rejected, including the one with which the Committee started, which was to give the Exchange housing in a building of its own. In the spring of 1892 an unexpected chance was afforded of satisfying the need. Learning that the property belonging to the Peck Estate at La Salle and Washington Streets, then occupied by the Western Union Telegraph Company, was to be improved with a modern structure, due inquiries were made, which were responded to by the demand for a heavy rental. At last the Building Committee, assured that the presence of the Stock Exchange in any central locality would be a greater benefit to such a neighborhood than any single building could be to the Stock Exchange, and more particularly so in a quarter of the town which the removal of the Board of Trade had left with many vacant offices and depreciating values, informed the Pecks that, while not then authorized to make the proposal, they believed that if a twelve-story building were built and named for the Exchange, and proper space provided within it for fifteen years free of charge, the offer might be accepted.

The proposal was staggering, and might have been rejected had not the Building Committee gone on to suggest that the Pecks unite with William A. Fuller, owner of the land adjoining on the south at the corner of Calhoun Place, in building a structure to occupy all of the half block, and further call on the property

owners in the vicinity to raise a guaranty in cash which would give the Stock Exchange what it wished. These suggestions proved practical in every sense, the guaranty fund was raised with little difficulty, and in January 1893 a lease was signed for fifteen years at \$1 a year, when the Building Committee was discharged with the congratulations of the Governing Committee for the able manner in which it had functioned. The new building was ready for occupancy in due time, and the last call was held in the old quarters on Monday morning April 30 1894.

The new rooms of the Exchange were opened with due ceremonies beginning at 1 o'clock the same afternoon. Speeches were made from the mahogany rostrum, filled for the occasion with roses and carnations, by William B. Walker President of the Exchange, Charles Henrotin its first President, Charles L. Raymond President of the Board of Trade, and Ferdinand W. Peck on behalf of the owners of the property. All were appropriately congratulatory, and Mr Henrotin permitted himself a statement of the good already accomplished in the twelve years of the Stock Exchange's work since 1882. "From that time," he stated, "dates the large percentage of loans secured by bonds and stocks carried by our moneyed institutions; and to the medium of the Stock Exchange do many of Chicago's great corporations owe their launching and subsequent success."

CHAPTER IV

IN FULL MANHOOD

Pullman strike, railway strike, 1894.—Bettering conditions locally.—Effects of panic.—Consolidations and high finance.—The Diamond Match Company speculation.—Meeting in P. D. Armour's house.—Closing of the Exchange.—Free Silver.—Bucket shops.—Reduction of memberships to 300.—Value of memberships.—Annual dues.—Reduction of Governing Committee.—Trading posts, 1900.—Chairmen of the Exchange.—The Chicago Stock Exchange takes second place.

SURROUNDINGS both pleasant and adequate for the hundred and more traders daily upon the floor enabled the Chicago Stock Exchange to enter now, as Mr Henrotin observed in his amiable speech, upon full manhood. But Chicago, never a sylvan dell in its placidity, was seething and bubbling over even more than usual at the moment. May 11 1894 the employees of the car company in Pullman struck, against the wish and advice of the American Railway Union by which they had just been organized. In June the Union itself, with no intention of so doing half an hour before the event, plunged into a sympathetic strike against the railways using Pullman cars, and even against some that did not. The storm center here spread itself until it included most of the West. The losses to the country which resulted were estimated at \$80,000,000.

It was a time, too, when the panic of the year before had by no means exhausted its viciousness. "Money

has been a drug upon the market for months," a contemporary writer notes, "and interest rates lower than ever before." The labor market, particularly in Chicago, was in its most unsettled condition, following the hard times and the extravagances of the World's Fair period, and 200,000 idle men were said to be in the city. Socialists and radicals, men with a single cure for a thousand ills, were opening their mouths and letting them say what they would. Free silver was providing a lining for gloomy clouds even gloomier than they, and had still to do its worst. Yet memberships in the Exchange were now selling for \$2000, and there was hope and promise.

Thus the Exchange prospered rather in spite of surface manifestations than because of them, truly pointing forward to better days in store for the business world in general. The reason is to be found in the actual growth of the country as a whole and of Chicago in particular, to supply another instance of the truth that stock exchanges afford the most delicate and infallible prophecies of business conditions, whether for better or worse. It will be worth while to sum up briefly here what was taking place and was about to take place here, from then to now.

Chicago, by increasing its area 128 square miles in 1889, had become the second city in America in 1890 with 1,099,850 inhabitants, brought in 1894 to 1,341,817, and by 1900 to 1,698,575, an increase for the decade of 54.4 percent. By 1910 this became 2,185,283, by 1920, 2,701,705, and it is now (1922) estimated at 2,900,000. The bank clearings of Chicago, which

passed those of Philadelphia in 1890 and of Boston in 1892, were \$4,305,386,657 in 1893, \$6,799,535,598 in 1900, \$13,969,689,954 in 1910, and \$32,609,233,535 in 1920. Local bank deposits in state and national banks were \$389,624,284 in 1900, \$834,409,879 in 1910, and \$1,828,274,805 in 1920; including savings deposits, the amount then reached \$2,273,376,687. The value of manufactures here was \$888,945,311 in 1900, \$1,201,313,000 in 1909, and \$3,658,740,000 in 1919. The post-office receipts, \$7,063,704 in 1900, rose to \$18,502,854 in 1910, and made a further astonishing leap to \$41,255,513 in 1920, far exceeding those of any other city in per capita expenditure.

In these figures, redoubling and more with each ten-year period, is told in little the story of the development of local securities for purchase and sale upon the Chicago Stock Exchange, the solid base upon which the structure of its business is reared and maintained. The growth of population bespeaks the growth of public utility stocks and bonds, gas, street and elevated railways, telephones, electricity for power and lighting; the bank clearings, of the city's growing and thriving wealth for investment and speculative purposes; the value of manufactures, of the opportunities for successfully marketing industrials; and the post-office receipts, of the enormous expansion of the local mail-order business, again with securities issued for the market. With such a playhouse and such an audience, the financial stage is bound to enact successful dramas with happy endings, even though the second-act curtain fall upon an untoward situation.

Furthermore, the moving into the new rooms was practically coincident with the general change in corporation methods following the panic of 1893, rightly stated to be "the turning point in American history." "A new industrial structure was made out of the chaos of the panic," writes Professor Francis C. Philbrick. "'High financiering' was undertaken on a scale hitherto unknown. . . . In general, a small group of powerful financial interests acquired holdings in other lines of business, and by absorptions and 'community of interest' exerted great influence upon the whole business world." The names of J. Pierpont Morgan, John D. Rockefeller, and Edward H. Harriman were on the nation's lips. Such enterprise, coupled with large issues of stocks and bonds to finance consolidations, brought huge volumes of securities into the market. And at the same time the men with panaceas were extending their audiences among those whose lack of financial training gave them no corrective power over statements so at odds with facts it may be said that even when they embodied a truth it was for wrong reasons.

The Chicago Stock Exchange was the scene of a one-act play in consolidation in which W. H. and J. H. Moore, who had been members since February 17 1892, were the chief performers and the subject matter the securities of the Diamond Match Company, listed on the Exchange on November 25 1891. The Moore brothers had been the chief instruments in forming the combination of interests grouped under that corporate name, as well as those in New York

Biscuit and American Tin Plate—the Moore stocks—but it was the first upon which their interest largely centered. In July 1896, about the time a waiting world was being informed that calling 70 cents worth of silver a dollar would cure mankind of its woes, it began to be whispered about that France, South America, and other habitable portions of the globe were about to pay the Match Company various large sums for the use of its patents, and somewhat similar tales were told of the New York Biscuit concern. These stocks became active to the point of frenzy, and rose to unprecedented figures. It appeared later that a pool had been formed to manipulate 20,000 shares of stock. Monday August 3 lubrication of the complicated machinery necessary failed abruptly, and nothing less than an explosion took place.

That evening the only special, or other, meeting of the Governing Committee ever held outside of its rooms convened at the Prairie Avenue residence of Philip D. Armour, at which all the large financial and other interests of the city were also present by representation. It was a solemn time, and the observation of Charles T. Yerkes, "I have never seen so many straw hats at a funeral" afforded its only lighter moment. It was decided to give the brokers a chance to readjust their confused affairs outside of the usual and sadly interrupted methods, and it was moved and unanimously carried "that the Exchange adjourn at 10 o'clock on Tuesday morning the 4th instant and remain closed pending further action by the Committee." At 9:30 that morning a special meeting of the

Exchange ratified this and the attempt to untangle the complicated knots began. At 3 o'clock the same day a special meeting of the Governing Committee appointed a select committee, consisting of President Malcolm M. Jamieson, Philip D. Armour, Albert M. Day and Charles C. Yoe, John J. Mitchell acting with them, "to confer with the banks and the Messrs Moore to ascertain what settlement could be made," President Jamieson reporting that the Moores had "appeared very willing to give the Committee any information and said that by tomorrow they would give a full statement of how they stood on the market in both Diamond Match and New York Biscuit and also present a statement of the condition of the two corporations." August 12 the Committee reported an agreement already prepared "which would be satisfactory to all parties concerned."

It took all summer to straighten out the tangle, but other reasons advanced themselves to keep the doors of the Exchange closed, even after it became certain that no failures were to follow the excitement. Something more than a ghost of Free Silver was stalking through the land during the pending presidential campaign, and it was no time for settled, or even for speculative, values when the chance of the adoption of a 70-cent dollar might suddenly vitiate every conception upon which values are calculated. Accordingly it was not until two days after election day, when Sixteen-to-One had ceased to be an immediate issue, that the Exchange reopened, on Thursday November 5 1896.

The next month a special committee on reform was

appointed, and measures eventually taken that make any such exploitation of the privileges of the Exchange unlikely in the future.

In January 1897 the problem of the bucket-shops, a long continuing evil, sought solution. A bucket-shop, it may be explained, is not a place in which stocks and bonds are bought and sold and delivered, whether for investment or speculation, but merely an office conducted by financially irresponsible persons who take bets on the rise and fall of securities quoted on the legitimate exchanges, a specious form of mere gambling at odds with sound finance, honest business, and good morals. The Chicago Civic Federation was seeking to drive bucket-shops out of existence as a matter of public duty, and the Chicago Stock Exchange lent its utmost aid to these efforts then and later. To continue, in June 1899 two of its members were summarily expelled for alliance with these gambling interests; in January 1900 a secret committee gave effective reinforcement to the good cause; in March 1901 the Governing Committee permitted no member of the Exchange to have private wire connections with any house suspected of bucket-shopping, and today no person who has ever been financially connected with one can attain membership.

In April 1897 the Governing Committee, following the excellent precedent, took advantage of a temporary depression to reduce the membership further, by authorizing the purchase of forty-five seats. But not many were willing to sell; and on January 1904 the roll held 434 names, when it was decided to reduce the

total to 400. In April 1909 \$15,000 was appropriated to that end, and in November of that year a further reduction to 300 was determined upon. In May 1910 action was taken to bring this down to 250 and, that figure attained, there it remains. The latest sale of a membership, in consequence of this and other contributing causes, was for \$4500, the cost to the purchaser through transfer and gratuity fees being considerably higher.

Annual dues, there being no rent to pay, were reduced to \$35 in April 1898, rising to \$40 again in November 1901. But the removal to new and more expensive quarters in 1908 caused an increase to \$100 in that year, to \$125 in 1912, and to \$150 in 1913. In December 1897 there was a revision of the Constitution and By-Laws, followed by another in 1914. Under the former the Governing Committee, with the reduced membership, was cut down from twenty-four to eighteen, with a further contraction to twelve in 1914. In 1897, too, the Exchange adopted an insurance measure, after nearly fifteen years of discussion.

In 1900 the older and perhaps more dignified custom of sitting down to listen to the reading by the Chairman of the bond and stock lists during the morning and afternoon sessions of the Exchange gave way before the pressure of business to the establishment of trading posts, where certain securities could be clustered and to which those dealing in these could resort. It led to an expedition of transfers, and has persisted.

On July 5 1904 Joseph R. Wilkins resigned his triune positions of Chairman, Secretary, and Manager

of the Clearing House. Henry C. Hackney, at that time Vice-Chairman, filled the positions until the election to them in November of William B. Wrenn, long a member. On August 3 1909 Mr Wrenn died after a brief illness, greatly regretted. Ford R. Carter took his place ad interim until Charles T. Atkinson was chosen on November 29 of the same year. During the Great War, on the request of the American Red Cross, Mr Atkinson was granted a leave of absence from his duties on the Exchange to take up those of Field Director for the Red Cross at the Great Lakes Naval Station, from September 6 1918 to January 31 1919, during which time Ford R. Carter generously and without compensation discharged these multiple functions, since that time under Mr Atkinson's adequate jurisdiction again.

In 1918 the annual volume of business of the Chicago Stock Exchange passed that of Philadelphia, and in 1919 that of Boston, bringing that of the western metropolis to the second place in the New World, surpassed only by the mother exchange in New York, founded on May 17 1792 and therefore almost exactly ninety years its senior.

CHAPTER V

THE LIVING PRESENT

Declining markets in 1906-1907.—Trading in the account.—Panic of October 1907.—Remarks of the Comptroller of the Currency.—Of Professor S. S. Huebner.—Currency famine.—Panic ends without disaster in Chicago.—Discounted by the Stock Exchange.—The Chicago Stock Exchange Building Company.—Removal to the Rookery to help business.—War in Europe.—Closing of the Exchange.—Supervised trading.—Exchange reopens.—Blue sky laws and Stock Exchange co-operation.—Personnel of the Exchange.—Becoming a member.—Qualifications and dues.—Listing of securities.—Requirements and fees.

THE stock market fell off during the winter of 1906-1907, bringing up for discussion once more the old question of trading in the account, under which more business can be done on a given amount of capital, permitting some compensation for the loss of trade, and also aiding the speculative, as distinguished from the investment, market. It was and is permitted by the Chicago Stock Exchange, but under stringent regulations, and in recent years has proceeded no further than discussion, appearing to be in reality at odds with the American feeling, however useful in the London Stock Exchange.

The growing distrust of securities was an accurate forecast of hard times ahead and of a general lack of money, reflected in the loss of interest of the members themselves in the Exchange, so that only thirty-seven

votes were cast at the election in June 1907. Had the portent been heeded, it is within reason that the short sharp panic which hit the country in the following October might have been largely if not completely avoided. As the Federal Comptroller of the Currency stated in his report of the occurrence:

"As is always the case when there is a demand for liquidation, it first manifested itself in the stock market. For months there has been a more or less steady decline in stock-market quotations. Not only stocks, but the very best bonds, have dropped lower and lower in price." Professor S. S. Huebner further notes: "Without an exception every business depression has been discounted in our security markets from six months to two years before the depression became a reality." Yet financial and business interests paid no attention to the omen and were taken unawares. A highly speculative and disastrous corner in stocks not even listed on the New York and Chicago Stock Exchanges, but dealt with only on the curb in the former city, with which the names of F. Augustus Heinze and Charles W. Morse are identified, brought about the collapse of the Knickerbocker Trust Company of New York on October 22 1907, with \$1,200,000 capital and \$48,387,000 in deposits, followed by numerous suspensions of smaller banks and trust companies in and about the metropolis. The country was generally prosperous, but the tying up of an undue proportion of its banking funds there brought on trouble which reverberated throughout the country. Clearing-house certificates were issued in Chicago as well as New York,

and the most serious bank crises and famine of currency for payrolls and other absolutely requisite cash transactions ensued.

Before the end of 1907 the great financial interests, aided by the vigorous action of the federal Government, brought to an end this so called "rich man's panic." In Chicago the after effects lingered for some time, but without inflicting serious reverses. Not a receivership was demanded for any local financial institution and not one state or national bank here closed its doors. Discounted as the disturbance had been by the Stock Exchange, this was even more alert in recovering its balance, and proceeded in its work of prophecy, this time of a period more prosperous.

But it led to agitation for a change of location, though the exceedingly advantageous lease had still several years to run. The moving of many banks from La Salle Street near the City Hall to the immediate neighborhood of the Board of Trade left the Stock Exchange somewhat remote from its natural connections, and the period of depression had intensified that feeling. In December 1904 the prospect of a building of its own had made such an appeal that the Chicago Stock Exchange Building Company was organized with a capital stock of \$200,000, with a project for leasing for ninety-nine years a property on the north side of Jackson Boulevard between La Salle and Wells Streets. This had fallen through, though the desire for removal to this vicinity remained. In December 1907 it was finally determined to lease the hall and adjacent offices on the second floor of The Rookery, 209 La

Salle Street, and the removal took place under the presidency of William H. Colvin, in the most unostentatious way. When the gavel fell at the conclusion of business on Thursday afternoon April 16 1908 in the old rooms, it marked not only the usual adjournment over Good Friday, the succeeding day, to the Monday thereafter, but preparations already on foot for taking up the new quarters. When the gavel fell again to mark the opening of the morning session on Monday April 20, it was in The Rookery, and no further ceremony was observed. There the Exchange still conducts its business, after dwelling in the old rooms almost fourteen years, or exactly 5220 days.

Uneventful years followed, which none the less justified the change of home, until on July 31 1914 came the sad assurance of immediate war in Europe. It was certain that the huge volume of American securities held abroad would be offered in quantities which would involve the United States in acute financial distress if they were afforded their customary markets, by overturning all established values in the rush to realize in gold. Accordingly the Governing Committee, with the unanimous approval of the membership, ordered an immediate closing of the Exchange for a period indefinite but promising to be extended. On August 13 a special Committee on Trading was appointed, and under its jurisdiction a plan was put into operation. Prices were fixed at the quotations ruling at the time of closing as a minimum, and all members having securities to buy and sell entered upon a period of supervised trading, sending their orders to the Secretary of

the Exchange, day by day. It was the Secretary's duty thereupon to match these orders whenever possible, under the supervision of the Committee, which held daily sessions for that purpose. This interesting expedient resulted in a desultory and dwindling business until the Exchange opened for qualified trading on November 25, the last restrictions by the Committee not being removed until April 1 1915.

The endeavors of the authorities of Illinois to check the growing evils of selling, as the phrase is, "blue sky" to persons with more money than financial discretion had the active co-operation of the Chicago Stock Exchange from the beginning. Working with the Secretary of State through its counsel it played its due part in the preparation of the Illinois Securities Act, passed June 10 1919, and has since acted effectively with the Securities Commission to protect the investing public. In consequence of the close discrimination shown by the Exchange in the listing of securities, to be mentioned in detail later, all such securities are set forth in the statute as possessing "the inherent qualities which assure their sale and disposition without the perpetration of fraud." As a result large sums of money which might have been lost to their owners through the plausibility of reckless or dishonest promoters have been turned into legitimate fields to the advantage of every one concerned, except such promoters, and the good work still goes on.

Forty years of increasing usefulness to the community having now been briefly recorded, it is time to turn from the events themselves to the body of men who

have thus stood for honest and satisfactory investment, note the precautions they have taken at every turn to prevent the repetition of old abuses and the infliction of new ones, and thus by action subsequent or precedent not only make all securities dealt with, as their meaning demands, secure, but also conduct their purchase and sale at the lowest possible cost to the public for service fully operative and effective while safeguarding the public interest at every turn of each proceeding. First, then, as to the personnel of the Exchange and its selection.

At the outset it must be understood that the Chicago Stock Exchange is a voluntary and mutual unincorporated association of men who submit the rivalry of a keenly competitive business to a rigorous and rigidly enforced code of laws of their own devising, under which membership becomes an expressly stated personal privilege rather than a mere legal right or collection of rights. The list of membership being both limited and full, it is only through death, the rare event of expulsion, or the wish to retire from active business that a vacancy occurs. A purchaser being found, either by the legal representatives of a member deceased, by a retiring member, or by the Committee on Admissions, he is submitted to a series of rigorous examinations in regard to his fitness, both orally and in writing. Sponsors brought forward by him are also examined, and objectors have the same right to appear before the Committee and be heard.

In the first place, the proposed transferee must be a citizen of the United States and of full age. His resi-

dence, the nature of the business he intends doing on the Exchange, his business experience and associates or employers, his membership in other exchanges, the extent of his available capital, his partners actual or prospective and their business connections, and his condition of solvency from the beginning of his career, must be set forth. As a membership is a personal privilege, he cannot be admitted as an officer or employee of a corporation dealing in investment securities which, lacking actual personality and its stockholders having only limited liability, cannot be bound by the rules of the Exchange, nor can he be admitted if he has ever been connected, directly or indirectly, with a bucket shop. If he is able to satisfy the Committee on Admissions on all these points, his name is presented to the Governing Committee, but not until it has been posted, together with the names of his proposer and second, on the bulletin board of the Exchange for at least ten days; and to elect it requires three-fourths of the Governors present, which must never be less than a majority of the full Committee.

When elected, he must pay a transfer fee of \$500, a further \$100 to the Gratuity Fund, to be explained presently, and sign the following: "I do hereby assent to the Constitution and By-Laws of the Chicago Stock Exchange, and pledge myself to abide by the same and by all subsequent amendments thereto, and also by all rules and regulations now existing, or which may hereafter be adopted by said Exchange," all within a period of five days after notification of election. Then, and not until then, does he become a member, and, if any

false statements are discovered in his statements later, his membership ends.

Similar precautions are taken before any security other than governmental is listed on the Exchange. Corporations wishing this privilege must apply on blanks provided, setting forth the name of the company, the names and addresses of its officers, directors, transfer agents, and registrars; the various issues of stock, whether assessable, carrying personal liability, or not, and its distribution and ten largest holdings with a certificate that all of it is free for sale and none held under syndicate, agreement, or control; the voting power, dividend rate and place of payment and whether preferential, cumulative, or not, particulars concerning the nature of the business in all its details, and all supplementary knowledge not otherwise included.

The applicant company must further file a certified copy of its charter and amendments, of its by-laws duly attested, of competent authority to an official to appear before the Governing Committee in regard to the listing, of the authority granted transfer agents and registrars with the amount of securities registered, specimens of all securities to be listed, which must be satisfactory, financial statements, income statements, balance sheets and similar accountings for constituent companies as well, all duly authenticated by a satisfactory certified public accountant, an opinion of disinterested counsel on the organization, authorization, issue and validity of securities; the whole in three copies.

A reasonable listing fee having been paid, the company enters into a binding agreement with the Exchange to keep it fully informed in advance of anything affecting the value of its securities and to make no changes in them without the approval of the Exchange, and to furnish at any time any reasonable information demanded regarding the company and its condition.

It will be seen that everything humanly possible is done to prevent the Exchange lending its authority and market to stocks or bonds which rest under the least suspicion, or which have a value or lack of it not readily ascertainable. And the right is reserved to strike any security from the list at any time or to prohibit dealing in it for any period. After the proposed security has passed the scrutiny of the Committee on Stock List and its accountants, it must still be voted upon by the Governing Committee.

It is not pretended that all these safeguards thrown around the membership and the securities dealt with provide an infallible system, proof against the ingenuity and temperamental vagaries of humankind involved; but it is believed that no body of men is doing business under a stricter code or one more rigidly enforced than that of the Chicago Stock Exchange.

CHAPTER VI

GOVERNMENT

Evolution of the Constitution and By-Laws.—Their intentions.—Amendments.—Object of the Exchange.—Governing Committee.—Officers.—Standing Committees and their duties.—Discipline and order.—Pledge of members.—Trial and defense.—Reasons for not incorporating.—Efficacy of immediate action.—State licenses for stock-brokers.—Business failures on regular exchanges.—Mistaken criticism.

THE Chicago Stock Exchange is an unincorporated body of men bound together by a common purpose, subject to the laws of the State and Nation in every sense of the words. Its Constitution and By-Laws, originally based upon the extended experience of other bodies with similar aims, at home and abroad, is today the growth of forty years of actual and practical experience, a slow evolution closely fitting the particular intentions of the society.

These intentions are to secure strictly honest dealing (1) between the members and their customers, the investing and speculating public; (2) between the members themselves within the limits of the Exchange activities, which extend to the closest intimacies of their business; (3) between the members as individuals and the Exchange as an entity. New conditions arise, human ingenuity finds loopholes in the most closely written statutes, human temperament creates novel and unforeseen situations, all of which demand the per-

sistent remodelling which we know as evolution. It is to be said that everything of a disturbing nature thus manifesting itself is dealt with immediately lest it grow into an abuse. It is also to be noted that no body of professional men has a code of ethics more strictly drawn to make double dealing impossible, one more quickly or more frequently changed to meet and eliminate untoward conditions previously unforeseen, or more strictly enforced in both letter and spirit. Both Constitution and By-Laws are left elastic to this end. After an amendment has been proposed and seconded before the Governing Committee it is immediately referred for approval to the Law Committee, and upon receiving the vote of two-thirds of those present it is submitted to the body of the Exchange by posting upon the bulletin board and mailing when, if not disapproved by fifty members in good standing within one week, it becomes the law. Only seven days, therefore, stand between the discovery of an abuse and its correction; and so at one is the Exchange in regard to this that few amendments so submitted have ever been rejected.

The object of the Chicago Stock Exchange, its Constitution declares, "shall be to furnish rooms and other facilities for the convenient transaction of their business by its members, as brokers; to maintain high standards of commercial honor and integrity among its members; to promote and inculcate just and equitable principles of trade and business; to adjust controversies and misunderstandings between members arising out of transactions upon the Exchange."

The Governing Committee originally consisted of twenty-four members, one-third of whom were elected annually to serve for three years. In 1898 this number was reduced to eighteen and by 1917 to twelve, following the reduction in numbers of the membership, the manner of election remaining unchanged. Vacancies between elections are filled by the Committee itself; if extending beyond an election period, by general election. The President, elected by the members annually is also a member of the Governing Committee. The nominations to all such offices, including that of the Treasurer, are made by a Nominating Committee of five, none of whom shall be Governors, annually chosen. Other nominations may be made by not less than twenty members if notified to the Secretary ten days before the election. There have been few instances—none in recent years—in which the regular nominations have been disputed.

The Vice-President is chosen annually from among the Governors by themselves. These also elect annually, subject to their pleasure, a Chairman, who presides over all sessions of the Exchange unless the President wishes to exert his prerogative, a Secretary and a Manager of the Clearing House, these three offices having been united in a single individual for many years, as has been seen. It also elects a Vice-Chairman, invariably a Governor, though this is not demanded; and selects an Attorney as legal counsel. A Governor is paid \$5 for every meeting attended, and failure to attend three successive meetings without good reason vacates the seat at the Committee's pleasure.

The Governing Committee has stated meetings monthly, and oftener at call. At its first meeting after the annual election in June the President submits the names for its approval of the members of ten standing committees, all but one taken exclusively from the Governors. (1) The Finance Committee, of five, has charge of all receipts, disbursements, and investments. (2) The Committee of Arrangements, of three, has the care of the rooms, enforces the rules, controls employees, and provides supplies. (3) The Committee on Admissions, of five, has charge of applications for membership, as already noted. (4) The Arbitration Committee, of five, settles disputes and differences, and adjusts the claims of members against funds arising from membership sales. (5) The Committee on Stock List, of three, has had its duties already defined. (6) The Committee on Securities, of three, defines what is regularity in the delivery of stocks and bonds and decides what constitutes a settlement of a contract or due bill. (7) The Law Committee, of three, passes upon proposed additions, alterations, and amendments to the Constitution and By-Laws, as has been noted. (8) The Committee on Commissions, of three, deals with commissions, partnerships, branch offices, and wire connections. (9) The Clearing House Committee, of three, has charge of the department indicated, and names the securities which may there be dealt in. (10) The Committee on Publicity and Business Conduct, made up of the three members of the Arrangements Committee and two members not Governors, will be dealt with more at length later in regard to its

functions other than that of standing as the official medium between the Press and the Exchange. There is also (II) the Library Committee, extra-constitutional, of three, whose duties are indicated by its name; under its supervision, for example, this history has been prepared and published. All these committees report their actions to the Governing Committee, and their acts and rulings, generally speaking, are subject to its revision and approval.

It will be seen that it is no sinecure to take part in the practical government of the Chicago Stock Exchange. In addition to attendance upon the regular and special meetings and securing the strict enforcement of discipline, each Governor functions on at least three standing committees, of all of which the President is *ex officio* a member, there being only twelve Governors to supply the personnel of thirty-six Committeemen. The Committees hold frequent meetings and are always subject to call, sometimes immediate, in addition to those of the Governing Committee. Yet it is to be noted that it is the rule for the office to seek the man, rather than the man the office, a testimony to the fitness of the officers chosen and to the fact that office-holding is held to be an honor, as the highest personal tribute possible from business associates best qualified to judge, that declination of a nomination is unusual, and that resignations from office are seldom made because of the arduousness of the duties involved, almost always hanging on causes extraneous to the Exchange itself.

The means afforded by this system for the main-

tenance of order and discipline are sufficient. No member is admitted who does not pledge himself to abide by the Constitution and By-Laws, including the decisions of the officials duly empowered thereunder. He expressly surrenders all right to resort to the Courts in appeal from such decisions, agreeing that he "shall by that act cease to be a member of the Exchange, and his membership shall be disposed of." He also forgoes the right to professional counsel at any trial before the Governing Committee for misconduct. He submits all his telegraph and telephone connections for the approval of the appropriate Committee. He contracts to "submit to the Governing Committee, or to any standing or special Committee, for examinations, such portions of his books or papers as it may deem material or relevant to any matter under investigation." He agrees that his refusal in such a case, or his destruction of such evidence, or his neglect to appear as witness or to testify may be adjudged "an act detrimental to the interest or welfare of the Exchange and shall be disciplined accordingly." These concluding words are to be taken in their widest application, and have been so taken from the organization of the society.

In no case, even for trivial causes, is a member disciplined without being confronted by the witnesses against him, allowed to summon witnesses to prove innocence, and full opportunity to be heard on his own behalf. Called before any standing or special Committee, he may appeal from its decision to the full board of Governors. Beyond that he may not go. Judgment reached, even that of expulsion, the end is at hand.

In this connection, nothing is more interesting in the official records of the Exchange than the manner in which its rules have been enforced, with a rigidity and justice, let it be said, that should be the despair of merely political institutions. Least infractions of the Constitution and By-Laws have been pounced upon on the instant, lest they seed and so give birth to plants of more noxious growth. There was an Exchange rule that no member may advertise any security listed on the Exchange without stating in the advertisement itself that such is the fact. On one occasion two of the Governors, although they honestly pleaded inadvertence in the omission of this statement, had to sit and listen to a resolution of reprimand from their fellows, and it is spread upon the minutes to this day. On another, a Governor convicted of "an act detrimental to the interest and welfare of the Exchange" was summarily expelled.

It will be observed that every member surrenders all rights to which he might be entitled were he a stockholder, officer, or bondholder in a duly legalized corporation, and it must be equally apparent that this is due to the very fact that the Chicago Stock Exchange is not an incorporated body under the law. To deal with sudden and unforeseen situations and emergencies in the instant manner required to preserve the best interests of all concerned, nothing is so ill qualified to meet the immediacy of the occasion as the Courts, with their long delays and multiplicity of technicalities readily invoked for such purposes against corporations by their stockholders. For professional counsel to deal

with the questions arising in such a case would require long and special preparation on their part, when such knowledge is actually and constantly in the keeping of the Governing Committee.

Extraneous interference with Stock Exchange affairs possible in the case of incorporation and not otherwise, with the ensuing right to invoke court injunctions and other legal remedies, could very well have prevented and could certainly have delayed so necessary a step for securing financial stability as the peremptory closing of the Exchange at the outbreak of the European War in the summer of 1914. An enemy of the United States could by injunction proceedings have forced it to remain open while frightened Europe poured in upon it the millions in American securities held abroad, thereby completely disrupting the finances of this country to the point of a panic unparalleled in its history. Instances to the same end can be multiplied.

When once grasped that the discipline of the Exchange is uniformly exerted for the full preservation of the rights of the investing and speculating public to an extent impossible otherwise because of the instantaneousness and finality of its action, the demand for incorporation will cease. Suppose that a member caught red-handed in selfish market manipulations to the public harm and ensuing disgrace of the Exchange could hold up interference with his nefarious plans until the Courts settled his legal rights, or lack of them, in the premises? Suppose a corporation whose securities are being handled to the prejudice of the general investor could prevent action by the Governing Com-

mittee until all questions involved were threshed out by the Courts? As it is now, the very appearance of great evils can be prevented by the instant suspension or expulsion of an offending member or by the instant striking from the list of the mishandled securities, beyond the power of appeal and without placing the public in any jeopardy whatever.

For similar reasons the Chicago Stock Exchange is opposed to any attempt by the State to license brokers in securities, again acting for the protection of the public against the abuses inherent in such a situation. Under its Constitution and By-Laws the Exchange now offers a guaranty of fair dealing, so far as mortal man can provide safeguards, in all the relations of its members with the outer world in all transactions great and small. Its membership, as has been seen, is painstakingly chosen, and its discipline severe. To license brokers in securities upon such evidence of their integrity, and no more, as is adequate to convince a licensing body in any way subject to political influences is rather to complicate the problem than solve it.

Business failures among members of the regular Stock Exchanges of the United States throughout the country for the last ten years have been less than one-half of one per cent of their membership annually, or one in two hundred. There have been numerous failures, too numerous to mention, among brokers dealing, or pretending to be dealing, in securities, who are not members of such regular Exchanges; in two months recently sixty of this sort of house blew up in New York alone. These bucket-shops, gambling houses us-

ing stocks and bonds for protective coloration, and all similar harpies, are a disgrace to the business and financial world, and it has already been noted how careful the Stock Exchange is to prevent any possible connection between these gentry and its own members, and the influence of the Stock Exchange has been exerted constantly against the bucket-shop evil.

Critics of regular Stock Exchanges, as a measure of mere justice, are invited to ascertain whether or not any of the persons or practices complained of are connected with the regular Exchanges, with the assurance that the full knowledge so secured will array them on the side of integrity and effective discipline, rather than with their associates in adverse criticism, the very bucket-shoppers and mere gamblers.

CHAPTER VII

THE EXCHANGE AND THE PUBLIC

Safeguarding the investing public.—Self-interest coincident with public interest.—How to open an account.—Execution of orders.—Commissions and advances.—Forbidden transactions.—Exchange records aids to State and National Governments.—Exchange hours.—The floor and manner of trading.—Private wire connections.—Price manipulations.—Branch offices and partnerships.—Memberships, intrinsic and component values.—The Gratuity Fund.—Floor Traders.—Speculation.—Its universality and inevitability.—Defined by Justice Holmes; by Prudhon.—Professor Emery's summary.—Classical instances in France and Germany.—President Brewster's summary of functions and values.

HAVING been taken into the confidence of the Exchange to this extent, it is well to go further and see what other precautions have been taken to safeguard the interests of the investing and speculative public in its dealings with broker-members, and it will be of interest to observe that by every measure thus taken the member actually finds the value of his seat enhanced. There are many occupations where the contrary is true; in many financial and commercial transactions an element of selfishness enters which has a tendency to leave the interests of the contracting parties at odds, the benefit of one enuring to the disadvantage of the other. But in the business of the Stock Exchange, the commissions or profits of the broker being fixed and subject to scrutiny, while dishonest settlements and exorbitant charges are sub-

jected to the severest discipline, it is manifest that all measures taken to protect the public, actuated by a scrupulous jealousy for the reputation of the Exchange itself which involves the reputation of every component member, distinctly secure and advance the best interests of all concerned and are of distinct benefit to both parties.

Opening an account with a member of the Chicago Stock Exchange is a simple proceeding bearing close resemblance to opening an account with a bank. A favorable identification of the prospective customer is required, the deposit of stock certificates or bonds if an order to sell them is to be given, or a deposit of money to protect the broker if there is the intention to buy securities. It will be found that the broker, while willing to place all the information at his command at the service of his customer, such information in these days being scientifically precise and minute regarding the intrinsic value of all listed securities, is reluctant to offer advice either to buy or to sell, though the course of the market, up or down, will be explained when requested.

An order given to buy or to sell is forthwith transmitted by telephone from the broker's office to the floor of the Exchange for execution by his broker, and purchase of the same security recorded on the ticker, on whose tape it will in turn appear. But in an active market it is well to remember that it is not always possible to identify the execution of any given order or to separate it from others similar at or about the same time, there being a necessary delay, not only in execut-

ing the order itself but in the process of transmitting to the ticker operator, who frequently sends out together the varying results of several operations in a single security rather than sets each forth in its chronological sequence.

The rates of commissions as fixed by the By-Laws of the Exchange will be explained to the customer in advance, and such commissions must be charged and paid "absolutely net and free from any rebatement, return, discount, or allowance. . . direct or indirect" nor may any legal arrangement be entered into by any member or his firm for unusual or special advantages to any customer or for special rates of interest on deposits or advances, or for anything that will give special or unusual advantages to any customer. Similarly, no payment may be made by the broker to his customer before the actual money for it is in the broker's hands, unless interest is charged, and if payment of money due is not made on the day to the broker, interest must be charged. The penalties for violation of this just arrangement, in the interest of customer and broker alike, are exceedingly severe.

The commission rates are carefully fixed to cover all possible transactions and, though raised on October 28 1920, are actually lower than ever before when the purchasing power of money is taken into due consideration, and are in no sense exorbitant.

Wash sales, or any dealings on the Exchange whereby an artificial price or demand may be made to appear, are unlawful: "Fictitious transactions, . . . fictitious or trifling bids or offers are forbidden, under penalty of

suspension or such other penalty as the Governing Committee shall impose," state the By-Laws. Privileges, or puts and calls, which are in the nature of a gambling bet on the rise or fall of a security, are forbidden: "No offers to buy or sell privileges to receive or deliver securities shall be made on the Exchange under penalty." Dealing for fictitious principals or with fictitious owners or other concealment of the fact is forbidden; and the client is in every case entitled to know the name of the other broker in any transaction.

Matched orders, as where a broker has an order to sell and another order to buy the same security, open a field to possible abuses, which are thus guarded against: "Where parties have orders to buy and orders to sell the same security, said parties must offer said security, whether it be stocks or bonds, at $\frac{1}{8}$ per cent higher than their bid before making transactions with themselves." Taking undue chances on mere margins is forbidden: "No sale of securities shall be made on which a deposit shall be offered as the limit of liability." Sales on the Exchange before or after the regular hours are forbidden, or for a fluctuation less than $\frac{1}{8}$ of one per cent; or for record on the books of the Exchange when made outside of it; and full provision is made against tampering with the records, which show every transaction ever made on the Exchange from its opening forty years ago; a measure of precaution possible, let it be said, only where the volume of business permits the making of a memorandum for every order and its transmission to the Secretary.

The Chicago Stock Exchange, by reason of its pos-

session and maintenance of these invaluable records of all its business, showing date, amount, and price, finds its books in constant use by the authorities of the State and Nation as affording unimpeachable evidence of values. The officials of the State of Illinois refer to them to establish the cash value of securities at the time of the death of any decedent whose estate is in probate, including also a basis for the figuring of the amount of inheritance tax to be levied. The Federal Government consults them for the establishment of income taxes and the checking of individual returns for that purpose. In this respect the Chicago Stock Exchange has an important public function which is discharged without cost to the public.

Under the By-Laws the Exchange opens at 9 o'clock in the morning of every business day and remains continuously in session until 2 o'clock in the afternoon, except on Saturday, when it closes at 11 in the forenoon, the Chairman formally opening and closing each session with a stroke of his gavel; at such times opportunity is also given to make announcements of interest to the assembled members. Only during these hours may business be carried on under the rules, under penalty.

The floor of the Exchange holds the ten original trading-posts installed in the old rooms in 1900, substantial circular seats of wood from the center of which rises a rod bearing a placard which indicates the stocks traded in at that point, one being assigned for all bonds dealt with; and all trading is done at the post designated for such stock. This trading is an oral declara-

tion on the part of a broker of his willingness to buy or sell a given amount of a certain security at a price stated, or, if no amount is named, it is held to be for \$10,000 par value of bonds or one hundred shares of stocks. A cash transaction is for delivery on the day of sale; a regular transaction for delivery on the day following, excepting on Saturdays and holidays when delivery is made on the first succeeding business day. Except for government bonds no trading may be done on a fluctuation smaller than $\frac{1}{8}$ of one per cent, while such bonds vary on decimal fractions of a cent.

Acceptance of an offer is made in any manner signifying affirmation, and disputes arising from simultaneous acceptances are settled on the spot, there always being an accredited official of the Exchange near at hand or within close call for such a purpose. Memoranda are made and exchanged on all closed transactions, and after the close of the day's business all such memoranda are compared within the Exchange itself to avoid error and misunderstanding. Later on the same day all compared transactions pass through the Clearing House, which by balancing purchases and sales requires only the actual delivery of securities and the payment of cash balances where necessary, avoiding the former hurrying from office to office and back again of many clerks. A substantial fine is levied against any broker detected in an error in the sheet he transmits detailing his day's business, which has a salutary effect in expediting the work to be done.

By way of rounding out the account of the precautions taken to prevent impositions upon the trading

public, it is needful to state that twice a year every member of the Exchange is required to furnish "a complete list of private wire connections, both telephone and telegraph, between the member's office and the offices of non-members transacting a banking or brokerage business" and to notify the Secretary of any changes or additions between times; and such a list may be called for at any other time. Nor may any stock ticker be installed without the approval of the Exchange being first obtained. It is not intended that close communication of any sort shall be established or maintained with any concern open to suspicion, and all undesirable connections of the sort are peremptorily dealt with by the Governing Committee.

On May 27 1920, the Constitution was amended to authorize the establishment of the Committee on Publicity and Business Conduct, the duties of which in this latter regard were thus defined: "It shall be the duty of this committee to consider matters relating to the business conduct of members with respect to customers' accounts. It shall also be the duty of this committee to keep in touch with the course of prices of securities listed on this Exchange, with the view of determining when improper transactions are being resorted to"; and it is given full powers to examine into the dealings of any members, either to settle questions arising between a broker-member and his customers, or to prevent any attempt at price manipulation in the nature of a pool or corner in any security, whereby the general trading public might be placed at a disadvantage.

A supervision quite as close as that over wire con-

nections is maintained over the establishment by any member of branch offices, with the intention of avoiding the very appearance of evil. And as much pains is taken with partnerships into which members may enter as over admissions to the Exchange, and for the same reasons. Any change in the composition of a member firm, whether by the addition or subtraction of any of its components, must be notified to the Secretary, five days before the taking in of a new partner or two weeks before letting one out. Any partnership with an insolvent person, a suspended member, a former member in arrears under the rules, or with any one else "whereby the interest or good repute of the Exchange may suffer" is prohibited or, if already formed, its dissolution demanded under penalty. Partners, it should be stated, may appear on one side only of any transaction in securities.

The largest element, probably, in determining the intrinsic value of a membership on the Chicago Stock Exchange, is the privilege of having one's business transacted at minimum commission rates and of continuous access to a broad and open market. Another lies in the Gratuity Fund, which affords what amounts to an insurance on each member's life for \$4000 at actual cost, the money being collected and paid over by the Exchange without charge. Its establishment was long the subject of animated discussion, having been first formally laid before the society on May 17 1893, but it did not come into actual being until the beginning of 1908.

As finally adopted, the Gratuity Fund constitutes

an agreement between the Exchange and its members to levy an assessment of \$10 upon each surviving member at the death of one of his fellows, and to pay over within a year the sum so obtained to his immediate relatives surviving, but not to any in a more distant relationship than that of widow, children, and grandchildren. As originally conceived this required the levying of an assessment after each death. But with the decreasing membership, from 400 to 250 by 1910, an annual sum varying from \$25 to \$50 (in 1918) was collected, with an initial charge against new members admitted to its benefits of \$100. It is, as the name indicates, a gratuity, and it is provided that it shall not "be taken or construed as a joint liability of the Exchange or its members for the payment of any sum whatsoever," being in the nature of a "solemn agreement of every member of the Exchange to make a voluntary gift to the family of each deceased member, and of the Exchange to collect and pay over to such family such voluntary gift, a separate Gratuity Fund being established to cover emergencies."

It may be observed here that the unusually low cost in view of the amount received is due not only to the good health of the participating members as secured by medical examination but also by the fact that many members sell their seats with advancing years, maintaining the rank and file engaged in this strenuous occupation always in the prime of life, while the growing disposition to admit none to membership who do not propose to be active participants in the business life of the Exchange makes to the same end.

Of the active members none are more active than the floor traders, who trade on their own account for small profits, and not as brokers for others, being in fact professional speculators. Their function in the market is no small one, for they provide for a continuity of security operations impossible in a market given over wholly to brokers, and in so doing prevent marked fluctuations in prices either up or down. Their function might indeed be described as that of a parachute, if such an apparatus worked equally well going in either direction, since their keen instinct for a rise or fall in stocks enables them to take small quick profits rather than waiting for large ones, whether easing off a rising or letting down gradually a falling market.

The entire subject of speculation is so little grasped by the average man that something must be said both for its universality and its importance. It is manifest that, the only settled thing in life being its ending in death, and the very time and place and manner even of this being a subject for speculation, everything else is subject to what we call chance, for lack of knowledge of precise laws for its government. Nothing, for instance, seems less speculative than the universal American desire to educate children and accumulate a competency for their better use and enjoyment of life. Yet even a cursory glance among one's acquaintance will show with what frequency disappointment, whether agreeable or disagreeable, follows on this most prudent of human courses. As a matter of manifest fact no person engaged in any of the financial, commercial, or manufacturing operations which make up

the business of the modern world is anything more or less than a speculator dealing with elements many of which, however met, appear to be more or less fortuitous. It is therefore most unfair to single out the speculator in securities for adverse criticism as against those who appear at first sight to be engaged in occupations generally called non-speculative, and this is as true of persons in the professions, where personality counts for so much, as of those in trade. It may be conceded that all great fortunes have been built up by the wisdom and foresight of their builders, who are usually prepared to admit as much, but the earnest inquirer finds a different state of affairs.

"Speculation," says Mr Justice Oliver Wendell Holmes of the Supreme Court of the United States, "is the self-adjustment of society to the probable." P. J. Prudhon, the French economist of leanings generally defined as anti-social, states that "speculation is nothing else than the intellectual conception of the different ways in which labor, credit, transportation, and exchange can unite in production. It is speculation that discovers riches, that invents the most economical means of securing them, and that multiplies them by new forms of credit, transportation, circulation, and exchange by creating new wants or by the incessant distribution of fortunes." Professor Henry Crosby Emery, the eminent authority on the subject, says in his "Speculation on the Stock and Produce Exchanges of the United States": "You cannot stop speculation in industrial securities, and you cannot stop speculation in anything by any process of law. Just as long as

the value of property fluctuates, men will buy and sell with a hope of profit. There will be speculation of some kind. If you throw it out of an organized exchange, you throw it out into the street. If you throw it out of Berlin you can throw it into London. But somehow and some way, just as long as . . . land fluctuates in value people are going to buy and sell land. Just as long as stocks fluctuate in value people are going to buy and sell stocks."

It may be noted as classical examples that the speculators in governmental securities on the Stock Exchange (the Bourse) of Paris stepped forward after the Prussian victory over France in 1870-1871 and by taking chances the discouraged French Government itself was unwilling to take brought its securities to a point which left the country once more prosperous beyond expectation; and that the attempt of the German Government from 1896 to 1909 to do away with speculation in securities and commodities, by driving capital from Berlin to London, so effectually secured England's supremacy in the world's money markets that no small share of the result of the World War can be attributed to that single blunder.

The Chicago Stock Exchange, by reason of the foregoing, invites the closest scrutiny into its operations, singly or in the aggregate, assured that the more thorough the inquiry the closer will be agreement with the statement of its functions and values set forth by its present President, Mr Walter S. Brewster, as (1) the maintenance of a high standard of business morality; (2) the refusal to deal in any securities that in the

best judgment of experts do not measure up to approved standards of legitimacy; (3) the direction into channels of legitimate trade and industry of the much needed capital of the public; (4) the maintenance of a broad and open market for securities owned by the public whose quoted prices can be reliably accepted as their measure of value and as an index to general business conditions; and (5) the keeping in liquid form and ready for use where most needed the surplus wealth of the community.

THE END.

OFFICERS, 1882-1922

*Still in office 1922. R Resigned from office.

PRESIDENTS

CHARLES C. ADSIT	1897-1898
FREDERICK C. ALDRICH	1913-1915, 1919-1921
ALFRED L. BAKER	1898-1901
EDWARD L. BREWSTER	1891-1892
WALTER S. BREWSTER	1921- *
BENJAMIN R. CAHN	1905-1907
FORD R. CARTER	1916-1918
WILLIAM O. COLE	1885-1886
WILLIAM H. COLVIN	1907-1909
FREDERICK D. COUNTISS	1909-1911, 1915-1916
ALBERT M. DAY	1884-1885
REUBEN H. DONNELLEY	1901-1903
GRANGER FARWELL	1903-1905
CHARLES HENROTIN	1882-1884, 1889-1891
MALCOLM M. JAMIESON	1896-1897
EDWARD KOCH	1886-1889
ARTHUR O. SLAUGHTER	1894-1895
FRANK W. THOMAS	1918-1919
JAMES J. TOWNSEND	1911-1913
WILLIAM B. WALKER	1892-1894
CHARLES C. YOE	1895-1896

TREASURERS

GEORGE D. BOULTON	1890-1891, 1901-1906
EDWIN G. FOREMAN	1911-1913
DAVID R. FORGAN	1909-1911
LEROY A. GODDARD	1913-1915
ERNEST A. HAMILL	1915-1916
WILLIAM H. HAMMOND	1882-1890
DAVID R. LEWIS	1916-1919
JOHN J. MITCHELL	1891-1894, 1896-1901
BYRON L. SMITH	1894-1896
ORSON SMITH	1906-1909
SOLOMON A. SMITH	1919- *

VICE-PRESIDENTS

CHARLES C. ADSIT	1896-1897
EDWARD L. BREWSTER	1884-1885
WALTER S. BREWSTER	1911-1913
FORD R. CARTER	1913-1914
WILLIAM O. COLE	1887-1888
WILLIAM H. COLVIN	1906-1907
IRA J. COUCH	1919-1920
FREDERICK D. COUNTISS	1908-1909
ALBERT M. DAY	1882-1884, 1897-1899
REUBEN H. DONNELLEY	1899-1900
GRANGER FARWELL	1901-1903
EDWIN G. FOREMAN	1892-1893
HENRY C. HACKNEY	1904-1905
MALCOLM M. JAMIESON	1891-1892, 1895-1896
HUGH McB. JOHNSTON	1916-1918
ALBERT G. LESTER	1922- *
SIDNEY C. LOVE	1903-1904
ROSWELL A. PETERS	1900-1901
JOSEPH A. RUSHTON	1921-1922
ROBERT P. SHIMMIN	1920-1921
ARTHUR O. SLAUGHTER	April-June 1882
WALTER B. SMITH	1907-1908
FRANK W. THOMAS	1914-1916
JAMES J. TOWNSEND	1905-1906, 1909-1911
J. HERBERT WARE	1918-1919
C. A. WHYLAND	1894-1895
JOHN H. WRENN	1885-1886
CHARLES C. YOE	1886-1887, 1888-1891, 1893-1894

SECRETARIES, CHAIRMEN, AND MANAGERS OF
CLEARING HOUSE

CHARLES T. ATKINSON	
1909-* (absent on leave September 1918—February 1919)	
FORD R. CARTER	
1909 ad interim, September 1918—February 1919 ad interim	
HENRY C. HACKNEY	1905 ad interim
WILLIAM H. NICHOLS	1883-1888 (secretary only)
WILLIAM B. WRENN	1904-1909
GEORGE E. WRIGHT	April-June 1882 (secretary only)
JOSEPH R. WILKINS	1882-1904

VICE-CHAIRMEN

CHARLES V. BANTA, JR.	1887—October 1891 R.
MORTON D. CAHN	1916—September 1917 R.
FORD R. CARTER	1908-1916
CHARLES B. EGGLESTON	1905-1908
FREDERICK G. FRANK	1884-1887, October 1891-1892, 1895-1896
HENRY C. HACKNEY	1898-1905
EDWARD S. HUNT	1882-1884
SIGMUND LAWTON	September 1917-1920
GEORGE A. McCLELLAN	1896-1898
EDWIN PAGE	1920- *
SOLOMON STURGES	1892-1895

ATTORNEYS

JOHN H. HAMLINE	1901—September 1905
JOHN M. ROUNTREE	1882-1901
FRANK H. SCOTT	September 1905- *

GOVERNORS

EDWARD S. ADAMS	1904-1909
CHARLES C. ADSIT	1892-1910 R.
JAMES M. ADSIT	1885-1891, 1893-1899
FREDERICK C. ALDRICH	1908-1911, 1912-1913, 1915-1918
ORVILLE E. BABCOCK	1907-1910
ALFRED L. BAKER	1896-1898, 1901—July 1909 R.
WILLIAM V. BAKER	1895-1898
JAMES B. BALL	1882-1890
SEYMOUR BALLARD	1913-1915, September 1917-1918
CHARLES V. BANTA, JR.	1884—October 1891 R, 1897-1899
J. FINLEY BARRELL	1903-1906
WARREN C. BECKWITH	1901-1904
ANDREW BLAIKIE	1886-1887
CHAUNCEY J. BLAIR	1883-1884 R.
AUGUST BLUM	1884-1887
HUGH BLYTHE	December 1912-1916
GEORGE D. BOULTON	1882-1888, 1890-1893
JACOB B. BREESE	

April-June 1882, June 1883—February 1885 R, 1890-1893

EDWARD L. BREWSTER	1882-1894
WALTER S. BREWSTER	1901-1920
WILLIAM L. BROWN	1882-1883

JOHN J. BRYANT, JR.	1922- *
BENJAMIN R. CAHN.	1892-1905, 1907-1912 R.
MORTON D. CAHN	1912—September 1917 R.
CALEB H. CANBY	1908-1909
WILLIAM D. CARD	1911-1912
FORD R. CARTER	1908-1916, 1918-1921
REUBEN G. CHANDLER	1914-1917
SIMEON B. CHAPIN	1894-1903
ALLAN M. CLEMENT	1911-1917
WALTER F. COBB	1882-1884
WILLIAM COFFEEN	1909-1910, 1915-1918
W. H. COHN	1900-1903
WILLIAM O. COLE	1882-1885, 1886-1892 R.
WILLIAM H. COLVIN	1904-1907, 1909-1910
R. C. CRAWFORD	1894-1895 R.
IRA J. COUCH	1916- *
FREDERICK D. COUNTISS	1907-1909, 1911-1915
D. MARK CUMMINGS	1896-1899
THEODORE E. CUNNINGHAM	1909-1912
ALBERT M. DAY	1882-1884, 1885-1894, 1896-1901
R. W. DAY	1882-1887
ALEXANDER L. DEWAR	1896-1898, 1899-1907
REUBEN H. DONNELLEY.	1897-1901, 1903—August 1905 R.
EDWARD A. DRIVER	1882-1884
ALBERT DURHAM	1882-1884, 1888-1891
CHARLES B. EGGLESTON.	1901-1904, 1905-1908
W. N. EVANS	March 1886-1893
DUKE M. FARSON	1887-1890
GRANGER FARWELL	1901-1903, 1905-1908
EDWIN G. FOREMAN	1885-1897
HENRY G. FOREMAN	1882-1888
FREDERICK G. FRANK	April-June 1882, 1883-1892, 1893-1899
FRANK N. GAGE	1892-1899
ALFRED C. GARY	1916-1919
JOHN A. GWYNNE	1882-July 1883 R.
HENRY C. HACKNEY	1896-1900, 1903-1907
ERNEST A. HAMILL	1884-1887
C. GRANVILLE HAMMOND	1884—March 1886 R, 1892-1898
WILLIAM A. HAMMOND	1882-1892
NORMAN W. HARRIS	1889-1900
JOEL D. HARVEY	1888-1891
C. FURNESS HATELY	August 1905—February 1908 R.
CHARLES HENROTIN.	1884-1889, 1891-1896, 1904-August 1905 R.

HERMAN HERBST	1893-1897
GEORGE H. HIGH	1906-1907
J. WILLIS HORTON	1905-1907
LEWIS E. HOWARD	1914-1917
EDWARD S. HUNT	April-June 1882
MALCOLM M. JAMIESON	1889-1891, 1894-1896
SAMUEL R. JEWETT	1906-1911 R.
F. E. JOHNSON	April-June 1882
HUGH McB. JOHNSTON	July 1909- *
WILLIAM D. KERFOOT	April-June 1882
CHARLES G. KING	February 1908—January 1917 R.
JOHN C. KING	1902-1904 R.
EDWARD KOCH	1882-1886, 1889-1895
BENJAMIN B. LAMB	1892-1898
WARREN A. LAMSON	1918-1921
SIGMUND LAWTON	1908- *
ALBERT G. LESTER	1922- *
JOHN T. LESTER	1882-1884
THERON LOGAN	1899-1902
SIDNEY C. LOVE	1899-1908
HENRY E. LOWE	February 1885-1889
G. D. LYNCH	1888-1891
JOHN E. MAY	1912-1916
GEORGE A. McCLELLAN	1895—September 1900
CHARLES H. McGRATH	1898-1901
RODERICK W. McKINNON	1910-1913
FRANK R. McMILLAN	June 1910 R.
FRANK R. MEADOWCROFT	1891-August 1892
JOHN J. MITCHELL	1882-1892
LEEDS MITCHELL	1918- *
SIDNEY MITCHELL	1903—January 1908 R.
M. S. NICHOLS	1883 R.
DAVID R. NOYES	1911-1917
GEORGE L. OTIS	1882-1883
JOSEPH E. OTIS, JR.	1899-1905
EDWIN PAGE	1919- *
ROSWELL H. PETERS	1899-1901, 1902-1906
ROBERT PRINGLE	1905-1908
NORMAN B. REAM	1884-1887
JOSEPH A. RUSHTON	1910- *
HERMANN SCHAFFNER	1884-1887
EDWARD M. SCHMITZER	1893-1894
M. SCHWEISTHAL	1883-1892

CHARLES H. SCHWEPPE	1909-1912
MARVIN L. SCUDDER, JR.	1884—May 1894 <i>R.</i>
ROBERT P. SHIMMIN	1919- *
LAZARUS SILVERMAN	1883-1890
PAUL B. SKINNER	1921- *
ARTHUR C. SLAUGHTER	1882—August 1884 <i>R.</i> , 1899-1902, 1905 <i>R.</i>
BYRON L. SMITH	1882-1883 <i>R.</i>
JESSE L. SMITH.	1921- *
ORSON SMITH	1882-1883, August 1884-1885
WALTER B. SMITH	1906—January 1911 <i>R.</i>
EARL M. SPENCER	1893-1896
G. M. SPENCER	1897-1898
P. E. STANLEY	1890-1893
L. MONTEFIORE STEIN	1919-1922
SOLOMON STURGES	October 1891-1895
HENRY D. STURTEVANT	1904-1915
FRANK W. THOMAS	1906-1918, 1919-1922
CHARLES D. TOWNSEND	September 1913-1914, 1917- *
JAMES J. TOWNSEND	1894-1906, 1910—September 1913 <i>died</i>
WILLIAM B. WALKER	1882-1884, 1894-1896
J. HERBERT WARE	1915-1921
WILLIAM S. WARREN	September 1905-1906
W. G. WASMANSDORFF	1896-1899
FRANKLIN H. WATRISS	1882-1885, 1892-1898
PORTUS B. WEARE	1882-1884
A. W. WHEELER	1888-1897
ARTHUR J. WHIPPLE	1901-1906
C. A. WHYLAND	1891-1898
CHARLES A. WILSON	1896-1899, 1900-1903
WALLACE C. WINTER	1921- *
HENRY WISE	1897-1900
HERMAN WOLLENBERGER	1912 <i>R.</i>
JOHN H. WRENN	1883-1884
WILLIAM B. WRENN	1887-1907
GEORGE E. WRIGHT.	1887-1893, 1895-1901
CHARLES C. YOE	1884-1885, 1894-1895, 1896-1899

07-BIR-715